

Message Text

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ACTION EUR-12

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DEPT. ALSO FOR AID/AFR

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SUBJECT: SUDAN'S FINANCIAL REQUIREMENTS - PROPOSED JAN. 8-9
INVESTMENT MEETING

REF: (A) KHARTOUM 3834 (NOTAL), (B) EC BRUSSELS A-501

1. SUMMARY: NEITHER EUROPEAN INVESTMENT BANK NOR EC
COMMISSION OFFICIALS ARE CURRENTLY PLANNING TO ATTEND THE
PROPOSED INVESTMENT MEETING IN KHARTOUM IN EARLY JANUARY.
THE BANK HAS NO IMMEDIATE LOAN PLANS FOR SUDAN, BUT THE EC HAS
ALREADY DRAWN UP A \$100 MILLION INDICATIVE AID PROGRAM FOR
SUDAN, WHICH AS EARMARKED FUNDS FOR VARIOUS PROJECTS.
ADDITIONAL FUNDS, HOWEVER, MAY BE AVAILABLE FOR REGIONAL
PROJECTS. COMMISSION OFFICIALS ARE CONCERNED OVER THE GOS'S
CAPABILITY TO SERVICE ITS EXISTING EXTERNAL DEBTS AND TO
ADMINISTER ONGOING DEVELOPMENT PROJECTS. END SUMMARY.
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2. EUROPEAN INVESTMENT BANK (EIB) OFFICIALS TELL
US THAT THE EIB DOES NOT PLAN TO PARTICIPATE IN THE
GOS'S PROPOSED JANUARY 8-9 MEETING IN KHARTOUM TO DIS-
CUSS INVESTMENT ACTIVITIES IN SUDAN. EIB DIRECTOR FOR
THIRD COUNTRY LENDING, DIETER HARTWICH, WAS RECENTLY IN

KHARTOUM AND BANK OFFICIALS CONSEQUENTLY BELIEVE THERE IS NO REASON TO RETURN TO SUDAN AT THIS TIME. THESE OFFICIALS ADD THAT THE EIB HAS NO IMMEDIATE LOAN PLANS FOR SUDAN. THEY ARE HESITANT, HOWEVER, TO SPECULATE ABOUT POSSIBLE FUTURE LOANS AND SUGGEST THAT MISSION CHECK BACK WITH THEM WHEN OTHER EIB OFFICIALS RETURN FROM HOLIDAYS.

3. EC COMMISSION OFFICIALS SAY THAT THEY HAVE NOT RECEIVED AN INVITATION TO ATTEND THE PROPOSED MEETING. THEY NOTE THAT THE EC'S 90 MILLION UNIT OF ACCOUNT (MUA, ABOUT \$100 MILLION) FROM THE EUROPEAN DEVELOPMENT FUND (EDF) FOR SUDAN'S INDICATIVE AID PROGRAM IS ALREADY DRAWN UP. THIS PROGRAM IS FOR A FOUR-YEAR PERIOD, ENDING IN MARCH 1980. THERE IS LITTLE POSSIBILITY OF INCREASING THE PROGRAM'S AMOUNT. (SEE REF B.) THE EDF, HOWEVER, COULD POSSIBLY PROVIDE ADDITIONAL FUNDS FOR REGIONAL PROJECTS WHICH WOULD HAVE TO INVOLVE ONE OR MORE OTHER ACP COUNTRIES. FOR EXAMPLE, THE EC IS CONSIDERING FINANCING THE IMPROVEMENT OF AN EXISTING ROAD BETWEEN SUDAN AND ETHIOPIA.

4. COMMISSION OFFICIALS HAVE INFORMED US OF THE MAIN ASPECTS OF THE EDF'S PROGRAM IN THE SUDAN (PLEASE PROTECT). THE EC PLANS TO HELP FINANCE TWO INTEGRATED RURAL DEVELOPMENT PROJECTS IN THE SOUTHWEST REGION OF DARFUR: JEBEL MARRA, 6 MUA; AND SUZ EL NAAM, 2 MUA. THE EC IS AWAITING THE RESULTS OF FURTHER FEASIBILITY STUDIES BEFORE COMMITTING ITS FUNDS FOR THESE PROJECTS. THE EC HAS EARMARKED 8 MUA FOR A TEA RAISING PROJECT IN LIMITED OFFICIAL USE

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EQUATORIAL AND 4 MUA FOR A RICE PROJECT IN BAHR EL GHAYAL. THIS LATTER PROJECT WILL FOLLOW UP ON A FAO/UNDP PILOT SCHEME. CO-FINANCING IS NEEDED FOR THE PROJECT. THE EC HAS ALSO SET ASIDE 8 MUA FOR CROP DEVELOPMENT ACTIVITIES IN THE NUBA MOUNTAINS IN SOUTH KORDOFAN. IT PLANS TO COMPLEMENT FRG AND UK AID EFFORTS IN THIS REGION. THE EC AWAITS THE RESULTS OF AN FRG AREA STUDY BEFORE DECIDING ON WHICH ACTIVITIES TO FINANCE.

5. THE EC PLANS TO FINANCE 32 MUA OF TRANSPORTATION AND TELECOMMUNICATION PROJECTS. IT HAS EARMARKED 13.6 MUA FOR BUILDING A NEW ASPHALT ROAD BETWEEN KADUGLI AND TALODI. THIS ROAD SHOULD HELP OPEN UP THE SOUTHWEST REGION TO AGRICULTURAL DEVELOPMENT. IT PLANS TO SPEND 6 MUA ON IMPROVING THE RAIL LINE FOR BABANORESA TO ER RAHAD. THE GOS HAS EMPHASIZED THIS PROJECT BECAUSE OF ITS DESIRE TO LINK THE WESTERN REGION WITH KHARTOUM. THE EC HAS EARMARKED 6 MUA FOR AN AIRPORT AT JUBA. THE

GOS WANTS THE AIRPORT TO MEET INTERNATIONAL STANDARDS SO THAT IT CAN RECEIVE INTERNATIONAL FLIGHTS AND CAN BE USED FOR CERTAIN MILITARY PURPOSES. ADDITIONAL FINANCING, PERHAPS FROM THE IBRD, WILL BE NEEDED BECAUSE THIS PROJECT WILL COST ABOUT 15-20 MUA.

6. THE EC ALSO PLANS 22 MUA OF ASSISTANCE FOR EDUCATIONAL AND TECHNICAL ASSISTANCE ACTIVITIES. THESE FUNDS WILL GO FOR CONSTRUCTION AND IMPROVEMENT OF TECHNICAL SECONDARY SCHOOLS, PROBABLY 6-8 MUA; A GENERAL SCHOLARSHIP PROGRAM FOR ADVANCED TRAINING; AND TECHNICAL ASSISTANCE ACTIVITIES. THE EC PLANS A MAJOR EFFORT TO ASSIST IN THE CURRICULUM, DESIGN AND ORGANIZATION OF JUBA UNIVERSITY. CONSULTANTS HAVE BEEN HIRED TO HELP DEVELOP THE SITE PLAN. COMMISSION OFFICIALS WANT TO ORIENT THE UNIVERSITY TOWARD REGIONAL ECONOMIC NEEDS, PARTICULARLY TRAINING OF TECHNICIANS AND MANAGERS. THESE OFFICIALS WOULD LIKE TO COORDINATE WITH AID'S EFFORTS TO IMPROVE THE LIMITED OFFICIAL USE

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WAD MEDAN UNIVERSITY.

7. THE EC ALSO PLANS TO FUND ABOUT 8 MUA OF AGRICULTURAL AND INDUSTRIAL FEASIBILITY STUDIES. IT HOPES TO DEVELOP INDUSTRIAL PROJECTS PARTICULARLY IN THE PROCESSING OF AGRICULTURAL PRODUCTS AND MAKING BUILDING MATERIALS. THE EDF HOPES THAT THE EIB MIGHT EVENTUALLY HELP FUND THESE PROJECTS AND ALSO PROVIDE A LINE OF CREDIT TO SUDAN'S INDUSTRIAL DEVELOPMENT BANK.

8. COMMISSION OFFICIALS ARE SERIOUSLY CONCERNED OVER BOTH THE GOS'S CAPACITY TO ADMINISTER ITS ONGOING DEVELOPMENT ACTIVITIES AND TO SERVICE ITS HEAVY EXTERNAL DEBT OBLIGATIONS. MUCH OF THE CURRENT ARAB INVESTMENTS HAVE SHORT AND MEDIUM TERM MATURITY PERIODS. THIS HAS AGGRAVATED SUDAN'S DEBT BURDEN. THESE OFFICIALS ADD THAT AID DONORS NEED TO ASSIST THE GOS IN IMPROVING ITS ADMINISTRATIVE OPERATIONS AND ITS ABILITY TO PREPARE SOUND PROJECTS. THE EC PLANS FIRST TO UNDERTAKE FEASIBILITY STUDIES BEFORE FUNDING PROJECTS TO ASSURE THAT SOUND PROJECTS ARE UNDERTAKEN WHICH TAKE INTO ACCOUNT REGIONAL AND SOCIO-ECONOMIC FACTORS. HINTON

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